

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464

STATUTORY BASIS FINANCIAL STATEMENTS
For the year ended June 30, 2011

And

INDEPENDENT AUDITORS' REPORTS

Long CPA, PA
A Professional Association
Certified Public Accountants

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Board of Education
Unified School District No. 464
Tonganoxie, Kansas 66086

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

We have audited the financial statements of the individual funds of Unified School District No. 464, Tonganoxie, Kansas, as of and for the year ended June 30 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Kansas Municipal Audit Guide and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

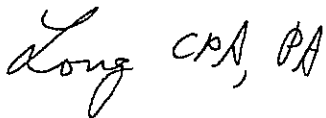
As described more fully in Note 1, Unified School District No. 464 has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 464 as of June 30, 2011, or the changes in its financial position for the year then ended.

In our opinion the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Unified School District No. 464, as of June 30, 2011, and its cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2011, on our consideration of Unified School District No. 464's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Unified School District No. 464's basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of findings and questioned costs are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of Unified School District No. 464. The schedule of expenditures of federal awards and schedule of findings and questioned costs have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Long CPA, PA".

Long CPA, PA
A Professional Association
Certified Public Accountant

November 21, 2011

The notes to the financial statements are an integral part of this statement.

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USD #464 TONGANOXIE, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2011

Statement 2

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments to Comply with Legal Max</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Governmental Type Funds</u>						
General Funds						
General	\$ 11,055,467	\$ (653,126)	\$ 78,935	\$ 10,481,276	\$ 10,481,276	\$ 0
Supplemental General	3,500,000	(13,745)	0	3,486,255	3,486,255	0
Special Revenue Funds						
Vocational Education	400,000	0	0	400,000	330,118	69,882
Special Education	2,216,379	0	0	2,216,379	2,019,940	196,439
Driver Training	79,096	0	0	79,096	17,161	61,935
Food Service	885,329	0	0	885,329	800,573	84,756
Capital Outlay	1,662,629	0	0	1,662,629	1,055,081	607,548
Gifts and grants	216,227	0	0	216,227	18,757	197,470
Extraordinary Growth Facilities Program	420,000	0	0	420,000	363,231	56,769
Professional Development	102,461	0	0	102,461	47,473	54,988
KPERS Special Contribution	710,476	0	0	710,476	516,852	193,624
Parent Education	17,300	0	0	17,300	10,698	6,602
At-Risk Fund (K-12)	925,000	0	0	925,000	872,264	52,736
Bond and Interest	1,626,666	0	0	1,626,666	1,626,665	1

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 1,576,558	\$ 1,570,439	\$ 6,119
Delinquent tax	53,028	32,726	20,302
Motor vehicle tax			0
RV tax			0
Federal grants	512,660	186,354	326,306
State aid/grants	8,233,839	9,265,948	(1,032,109)
Charges for services			0
Interest income			0
Miscellaneous revenues	78,935		78,935
Operating transfers			0
	<u>10,455,020</u>	<u>11,055,467</u>	<u>(600,447)</u>
EXPENDITURES			
Instruction	5,810,445	6,245,000	434,555
Student support services	167,552	175,250	7,698
Instruction support staff	126,831	138,150	11,319
General administration	72,437	452,500	380,063
School administration	0	481,492	481,492
Operations and maintenance	0	0	0
Student transportation services	479,314	479,050	(264)
Central support services			0
Other support services	0	159,025	159,025
Food service operations			0
Student activities	69,199		(69,199)
Facility acquisition and construction services			0
Debt service			0
Operating transfers	3,755,498	2,925,000	(830,498)
Adjustment to comply with legal max		(653,126)	(653,126)
Adjustment for qualifying budget credits		78,935	78,935
	<u>10,481,276</u>	<u>\$ 10,481,276</u>	<u>\$ 0</u>
 Receipts Over (Under) Expenditures	 (26,256)		
Unencumbered Cash, Beginning	(476,850)		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ (503,106)</u>		

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
SUPPLEMENTAL GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 1,499,663	\$ 1,648,682	\$ (149,019)
Delinquent tax	50,378	30,918	19,460
Motor vehicle tax	242,273	245,257	(2,984)
RV tax	4,220	4,595	(375)
Federal grants			0
State aid/grants	1,853,523	1,655,080	198,443
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>3,650,057</u>	<u>3,584,532</u>	<u>65,525</u>
EXPENDITURES			
Instruction	245,483	472,000	226,517
Student support services	11,815	15,000	3,185
Instruction support staff	373,224	352,150	(21,074)
General administration	218,685	225,250	6,565
School administration	641,187	255,250	(385,937)
Operations and maintenance	1,373,700	1,557,500	183,800
Student transportation services		0	0
Central support services		0	0
Other support services	110,705	145,550	34,845
Food service operations		0	0
Student activities	94,049	0	(94,049)
Facility acquisition and construction services		0	0
Debt service		0	0
Operating transfers	417,407	477,300	59,893
Adjustment to comply with legal max		(13,745)	(13,745)
Adjustment for qualifying budget credits			0
Total Expenditures	<u>3,486,255</u>	<u>\$ 3,486,255</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	163,802		
Unencumbered Cash, Beginning	(227,824)		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ (64,022)</u>		

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
 VOCATIONAL EDUCATION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>330,118</u>	<u>400,000</u>	<u>(69,882)</u>
Total Cash Receipts	<u>330,118</u>	<u>400,000</u>	<u>(69,882)</u>
EXPENDITURES			
Instruction	330,118	400,000	69,882
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>330,118</u>	<u>\$ 400,000</u>	<u>\$ 69,882</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
SPECIAL EDUCATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	29,278	30,000	(722)
Operating transfers	<u>2,112,537</u>	<u>2,000,000</u>	<u>112,537</u>
Total Cash Receipts	<u>2,141,815</u>	<u>2,030,000</u>	<u>111,815</u>
EXPENDITURES			
Instruction	1,829,746	1,937,500	107,754
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services	190,194	277,000	86,806
Central support services			0
Other support services		1,879	1,879
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			<u>0</u>
Total Expenditures	<u>2,019,940</u>	<u>\$ 2,216,379</u>	<u>\$ 196,439</u>
Receipts Over (Under) Expenditures	121,875		
Unencumbered Cash, Beginning	112,196		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 234,071</u>		

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
 DRIVER TRAINING FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Federal grants			0
State aid/grants	8,362	10,500	(2,138)
Charges for services	14,575		14,575
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u> </u>	<u> </u>	<u> </u>
Total Cash Receipts	<u>22,937</u>	<u>10,500</u>	<u>12,437</u>
EXPENDITURES			
Instruction	13,157	33,100	19,943
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	4,004	45,996	41,992
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>17,161</u>	<u>\$ 79,096</u>	<u>\$ 61,935</u>
Receipts Over (Under) Expenditures	5,776		
Unencumbered Cash, Beginning	68,596		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>74,372</u>		

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
 FOOD SERVICE FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Federal grants	375,534	380,980	(5,446)
State aid/grants	10,043	9,240	803
Charges for services	466,141	451,300	14,841
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u> </u>	<u> </u>	<u> </u>
Total Cash Receipts	<u>851,718</u>	<u>841,520</u>	<u>10,198</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	41,201	50,000	8,799
Student transportation services			0
Central support services			0
Other support services			0
Food service operations	759,372	835,329	75,957
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>800,573</u>	<u>\$ 885,329</u>	<u>\$ 84,756</u>
Receipts Over (Under) Expenditures	51,145		
Unencumbered Cash, Beginning	43,809		
Prior Year Cancelled Encumbrances	<u> </u>		
Unencumbered Cash, Ending	\$ <u>94,954</u>		

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
CAPITAL OUTLAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 599,318	\$ 596,033	\$ 3,285
Delinquent tax	16,272	12,602	3,670
Motor vehicle tax	66,372	99,954	(33,582)
RV tax	1,647	1,873	(226)
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income	17,567	50,000	(32,433)
Miscellaneous revenues	2,379	35,000	(32,621)
Operating transfers	<u>487,290</u>		<u>487,290</u>
Total Cash Receipts	<u>1,190,845</u>	<u>795,462</u>	<u>395,383</u>
EXPENDITURES			
Instruction	62,935	100,000	37,065
Student support services			0
Instruction support staff	173,413	250,000	76,587
General administration			0
School administration			0
Operations and maintenance	78,323	200,000	121,677
Student transportation services	43,553	200,000	156,447
Central support services			0
Other support services	18,214	100,000	81,786
Food service operations			0
Student activities	22,129		(22,129)
Facility acquisition and construction services	656,514	812,629	156,115
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			<u>0</u>
Total Expenditures	<u>1,055,081</u>	<u>\$ 1,662,629</u>	<u>\$ 607,548</u>
Receipts Over (Under) Expenditures	135,764		
Unencumbered Cash, Beginning	833,547		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 969,311</u>		

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
 GIFTS & GRANTS FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	21,625	216,227	(194,602)
Operating transfers			0
	<u>21,625</u>	<u>216,227</u>	<u>(194,602)</u>
Total Cash Receipts	<u>21,625</u>	<u>216,227</u>	<u>(194,602)</u>
EXPENDITURES			
Instruction	18,757	213,239	194,482
Student transportation services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services		2,988	2,988
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>18,757</u>	<u>\$ 216,227</u>	<u>\$ 197,470</u>
Total Expenditures	<u>18,757</u>	<u>\$ 216,227</u>	<u>\$ 197,470</u>
Receipts Over (Under) Expenditures	2,868		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>2,868</u>		

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
PROFESSIONAL DEVELOPMENT FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>55,000</u>	<u>60,000</u>	<u>(5,000)</u>
Total Cash Receipts	<u>55,000</u>	<u>60,000</u>	<u>(5,000)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff	47,473	102,461	54,988
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>47,473</u>	<u>\$ 102,461</u>	<u>\$ 54,988</u>
Receipts Over (Under) Expenditures	7,527		
Unencumbered Cash, Beginning	42,461		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 49,988</u>		

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
 KPERS SPECIAL RETIREMENT CONTRIBUTION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Federal grants			0
State aid/grants	516,852	710,476	(193,624)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>516,852</u>	<u>710,476</u>	<u>(193,624)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	350,712	490,000	139,288
Student support services	10,756	25,000	14,244
Instruction support staff	18,811	20,000	1,189
General administration	12,475	35,000	22,525
School administration	40,609	50,000	9,391
Operations and maintenance	33,592	35,000	1,408
Student transportation services	21,162	25,000	3,838
Central support services			0
Other support services	10,523	5,476	(5,047)
Food service operations	18,212	25,000	6,788
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>516,852</u>	<u>\$ 710,476</u>	<u>\$ 193,624</u>
Total Expenditures			
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

The notes to financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
PARENT EDUCATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>10,698</u>	<u>17,300</u>	<u>(6,602)</u>
Total Cash Receipts	<u>10,698</u>	<u>17,300</u>	<u>(6,602)</u>
EXPENDITURES			
Instruction			0
Student support services	10,698	17,300	6,602
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>10,698</u>	<u>\$ 17,300</u>	<u>\$ 6,602</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u> </u>		
Unencumbered Cash, Ending	<u>\$ 0</u>		

The notes to financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
 AT RISK FUND (K-12)
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>872,264</u>	<u>925,000</u>	<u>(52,736)</u>
Total Cash Receipts	<u>872,264</u>	<u>925,000</u>	<u>(52,736)</u>
EXPENDITURES			
Instruction	802,872	925,000	122,128
Student support services			0
Instruction support staff	69,392		(69,392)
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>872,264</u>	<u>\$ 925,000</u>	<u>\$ 52,736</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances			
Unencumbered Cash, Ending	<u>\$ 0</u>		

The notes to financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
BOND AND INTEREST FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 922,187	\$ 917,230	\$ 4,957
Delinquent tax	34,970	19,091	15,879
Motor vehicle tax	145,550	151,452	(5,902)
RV tax	2,769	2,837	(68)
Federal grants			0
State aid/grants	524,536	599,289	0
Charges for services			0
Interest income			0
Miscellaneous revenues		10,000	(10,000)
Operating transfers			0
	<u>1,630,012</u>	<u>1,699,899</u>	<u>4,866</u>
Total Cash Receipts			
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service	1,626,665	1,626,666	1
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>1,626,665</u>	<u>\$ 1,626,666</u>	<u>\$ 1</u>
Total Expenditures			
Receipts Over (Under) Expenditures	3,347		
Unencumbered Cash, Beginning	1,252,807		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 1,256,154</u>		

The notes to financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
 RECREATION COMMISSION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 303,731	\$ 302,204	\$ 1,527
Delinquent tax	10,858	6,300	4,558
Motor vehicle tax	47,734	50,003	(2,269)
RV tax	908	937	(29)
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues		67,000	(67,000)
Operating transfers			0
	<u>363,231</u>	<u>426,444</u>	<u>(63,213)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction			0
Student transportation services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student support services			0
Central support services			0
Community service operations	363,231	420,000	56,769
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>363,231</u>	<u>\$ 420,000</u>	<u>\$ 56,769</u>
Total Expenditures			
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

See Note 5

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
 RECREATION COMMISSION EMPLOYEE BENEFITS FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 43,388	\$ 43,236	\$ 152
Delinquent tax	1,207	900	307
Motor vehicle tax	6,865	7,143	(278)
RV tax	131	134	(3)
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues		17,500	(17,500)
Operating transfers			0
	<u>51,591</u>	<u>68,913</u>	<u>(17,322)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction			0
Student transportation services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student support services			0
Central support services			0
Community service operations	51,591	59,000	7,409
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>51,591</u>	<u>\$ 59,000</u>	<u>\$ 7,409</u>
Total Expenditures			
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

See Note 5

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
 NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2011

	Textbook Student material Revolving	Contingency Reserve	Title I
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Federal grants			
State aid/grants			158,096
Charges for services	125,955		
Interest income			
Miscellaneous revenues			
Operating transfers	<u>155,000</u>	<u>150,000</u>	
Total Cash Receipts	<u>280,955</u>	<u>150,000</u>	<u>158,096</u>
EXPENDITURES			
Instruction	191,627		158,096
Student support services			
Instruction support staff			
General administration			
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
Total Expenditures	<u>191,627</u>	<u>0</u>	<u>158,096</u>
Receipts Over (Under) Expenditures	89,328	150,000	0
Unencumbered Cash, Beginning	72,996	300,000	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>162,324</u></u>	\$ <u><u>450,000</u></u>	\$ <u><u>0</u></u>

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
NONBUDGETED FUNDS
Statement of Cash Receipts and Expenditures
For the Year Ended June 30, 2011

	PEP Grant	Carl Perkins Grant
CASH RECEIPTS		
Taxes and Shared Revenue		
Ad valorem property tax	\$	\$
Delinquent tax		
Motor vehicle tax		
RV tax		
Federal grants	181,906	3,193
State aid/grants		
Charges for services		
Interest income		
Miscellaneous revenues		
Operating transfers		
	<hr/>	<hr/>
Total Cash Receipts	181,906	3,193
	<hr/>	<hr/>
EXPENDITURES		
Instruction	170,105	3,193
Student support services		
Instruction support staff		
General administration	11,798	
School administration		
Operations and maintenance		
Student transportation services		
Central support services		
Other support services		16,931
Food service operations		
Student activities		
Facility acquisition and construction services		
Debt service		
Operating transfers		
Adjustment for qualifying budget credits		
	<hr/>	<hr/>
Total Expenditures	181,903	20,124
	<hr/>	<hr/>
Receipts Over (Under) Expenditures	3	(16,931)
Unencumbered Cash, Beginning	0	16,931
Prior Year Cancelled Encumbrances	0	0
	<hr/>	<hr/>
Unencumbered Cash, Ending	\$ 3	\$ 0
	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
NONBUDGETED FUNDS
Statement of Cash Receipts and Expenditures
For the Year Ended June 30, 2011

	Title II-A <u>Teacher Quality</u>	<u>Title III</u>
CASH RECEIPTS		
Taxes and Shared Revenue		
Ad valorem property tax	\$	\$
Delinquent tax		
Motor vehicle tax		
RV tax		
Federal grants		
State aid/grants	49,113	1,345
Charges for services		
Interest income		
Miscellaneous revenues		
Operating transfers		
	<u> </u>	<u> </u>
Total Cash Receipts	<u>49,113</u>	<u>1,345</u>
EXPENDITURES		
Instruction	52,093	1,345
Student support services		
Instruction support staff		
General administration		
School administration		
Operations and maintenance		
Student transportation services		
Central support services		
Other support services		
Food service operations		
Student activities		
Facility acquisition and construction services		
Debt service		
Operating transfers		
Adjustment for qualifying budget credits		
	<u> </u>	<u> </u>
Total Expenditures	<u>52,093</u>	<u>1,345</u>
Receipts Over (Under) Expenditures	(2,980)	0
Unencumbered Cash, Beginning	2,980	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>0</u>	\$ <u>0</u>

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KS
NONBUDGETED FUNDS
Statement of Cash Receipts and Expenditures
For the Year Ended June 30, 2011

	Title II-D Ed Tech	Reading Recovery Grant
CASH RECEIPTS		
Taxes and Shared Revenue		
Ad valorem property tax	\$	\$
Delinquent tax		
Motor vehicle tax		
RV tax		
Federal grants	535	12,100
State aid/grants		
Charges for services		
Interest income		
Miscellaneous revenues		
Operating transfers		
	<hr/>	<hr/>
Total Cash Receipts	535	12,100
	<hr/>	<hr/>
EXPENDITURES		
Instruction	135	12,100
Student support services		
Instruction support staff	400	
General administration		
School administration		
Operations and maintenance		
Student transportation services		
Central support services		
Other support services		
Food service operations		
Student activities		
Facility acquisition and construction services		
Debt service		
Operating transfers		
Adjustment for qualifying budget credits		
	<hr/>	<hr/>
Total Expenditures	535	12,100
	<hr/>	<hr/>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, Beginning	0	0
Prior Year Cancelled Encumbrances	0	0
	<hr/>	<hr/>
Unencumbered Cash, Ending	\$ 0	\$ 0
	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

AGENCY FUNDS

Statement of Cash Receipts and Cash Disbursements
For the Year Ended June 30, 2011

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
High School Activity Funds				
Art Club	\$ 1,290	\$ 106	\$ 218	\$ 1,178
Band	251	7,128	2,876	4,503
Baseball	450	1,194	947	697
Benefit for Golf	404	1,260	1,429	235
Builders Club	288	751	0	1,039
Cheerleading	2,863	16,277	12,535	6,605
Chieftain singers	5,873	19,210	19,132	5,951
Class of 2011	1,512	230	1,035	707
Class of 2012	1,005	4,049	3,125	1,929
Class of 2013	580	991	33	1,538
Class of 2014	0	595	0	595
Dance team	361	11,328	9,971	1,718
Entrepreneurship	1,462	9,660	10,249	873
FBLA	394	1,508	1,380	522
FCA	144	330	320	154
FCCLA	24	36,792	36,372	444
FFA	4,308	6,803	7,896	3,215
Foreign language	257	29	47	239
Gift baskets	0	942	650	292
Girls letterclub	2,883	2,585	3,225	2,243
Leadership	9	1,000	1,009	0
Multimedia class	10	280	0	290
National Honor Society	485	6,083	5,326	1,242
Performing Arts	4,759	10,552	11,379	3,932
Scholars Bowl	282	350	195	437
Science club	2,220	287	427	2,080
Science Olympiad	424	640	670	394
Skills	0	200	0	200
Spanish	0	780	663	117
Student activities	0	6,718	6,647	71
Student Council	2,925	4,092	5,190	1,827
Student Council R.	1,149	1,780	1,471	1,458
Tongio, Inc	0	8,568	5,393	3,175
T club	666	0	0	666
T-Town	1,181	1,263	1,818	626
THS Faculty Scholarship	500	501	500	501
THS Golf	339	2,200	2,330	209
Weight room	17	1,339	0	1,356
Wrestling	3,337	3,947	3,719	3,565
Yearbook	2,984	18,581	19,485	2,080
Middle School Activity Funds				
Activity	0	8,708	8,052	656
Band Club	3,477	6,132	4,169	5,440
Clubs & Classes	1,122		1,089	33
DARE	0	1,449	1,122	327
Destinaton Imagination	500	1,300	1,100	700
Electives	1,573		1,228	345
Environmental Fund	552	1,164	1,063	653
FACS	1,513	4,115	4,503	1,125
FCCLA	522	8,402	7,952	972
Fine Arts	0	809	401	408
History	1,862	6,174	7,875	161
I/A Student resale	0	5,518	5,518	0
I/A Technology	3,256	54	3,204	106
Music	120	736	819	37
PRIDE	2,106	1,256	3,165	197
Science Olympiad	500	585	362	723
Spec Ed	556	159	325	390
STAR 5th Grade	0	1,912	1,821	91
STAR 6th Grade	0	1,913	2,074	(161)
STAR 7th Grade	0	3,428	3,599	(171)
STAR 8th Grade	0	2,033	1,932	101
STUCO	1,445	2,313	2,187	1,571
Yearbook	1,443	11,121	10,694	1,870
Elementary Activity Funds				
STUCO	8,133	15,797	15,321	8,609
Choir Club	0	959	959	0
Total	\$ 74,316	\$ 276,966	\$ 268,196	\$ 83,086

The notes to the financial statements are an integral part of this statement.

USD #464 TONGANOXIE, KANSAS
DISTRICT ACTIVITY FUNDS
Statement of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
High school	\$ 10,667	\$	\$ 114,478	\$ 104,112	\$ 21,033	\$	21,033
Middle School	17,899		49,791	57,259	10,431	-	10,431
Subtotal Gate Receipts	28,566	0	164,269	161,371	31,464	0	31,464
School Projects							
High School							
AG Mechanics	0		951	951	0	-	-
Automotive	38		2,467	2,505	0	-	-
Lunch	133		176,222	176,355	0	-	0
Industrial Arts	0		1,921	1,898	23	-	23
Library	1,361		258	389	1,230	-	1,230
Pop machine sales	0		10,567	7,777	2,790	-	2,790
Sales Tax	782		9,802	9,698	886	-	886
Special Education	0		594	296	298	-	298
Textbook	222		52,310	52,517	15	-	15
Middle School							
Admin discretion	3,390		7,125	8,091	2,424	-	2,424
Counseling	1,372		0	313	1,059	-	1,059
Lunch	0		152,560	152,560	0	-	-
Library	434		3,197	3,306	325	-	325
MS musical	3,759		3,475	2,415	4,819	-	4,819
PE	156		870	844	182	-	182
Pencil money	109		407	406	110	-	110
Pep Club	1,770		2,319	2,184	1,905	-	1,905
Pepsi money	0		1,621	1,530	91	-	91
Sales tax	0		3,609	3,609	0	-	-
School store	820		1,118	0	1,938	-	1,938
Student emergency	0		121	100	21	-	21
Textbook	0		38,318	38,318	0	-	-
Elementary School							
Library	1,784		2,286	1,406	2,664	-	2,664
Lunch	0		120,317	120,317	0	-	-
Sales tax	0		711	711	0	-	-
Subtotal School Projects	16,130	0	593,146	588,496	20,780	0	20,780
Total District Activity Funds	\$ 44,696	\$ 0	\$ 757,415	\$ 749,867	\$ 52,244	\$ 0	\$ 52,244

The notes to financial statements are an integral part of this statement.

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

USD No.464 is a municipal corporation governed by an elected seven member board. The district as an entity has been defined to include, on a combined basis, (a) USD No.464 (b) organizations for which USD No. 464 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with USD No.464 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the District's report.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year 2011:

Governmental Funds

General Fund – To account for the resources except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to be expended for specified purposes.

Debt Service Funds – To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Fiduciary Funds

Agency Funds – To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles (GAAP)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursement, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenues and matured principle and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with United States generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Reimbursed Expenses

Expenditures in the amount of \$78,935 as classified as reimbursed expenses in the General Fund. Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement. Such expenditures are exempt from the budget laws under K.S.A. 79-2934

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments during the year 2011.

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (continued)

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the city for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds and trust funds and the following special revenue funds:

Textbook Student Material Fund	Title IID Fund
Contingency Reserve Fund	Title IIA Fund
Title I Fund	Title IIIA Fund
District Activity Funds	

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimates.

NOTE 2 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the government. The statute requires banks eligible to hold the government's funds have a main or branch bank in the county in which the government is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the government's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The government has no investment policy that would further limit its investment choices. The District's investments are categorized to give an indication of the level or risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified in risk Category 1 have the least risk to the municipality

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the government's carrying amount of deposits was \$ 2,953,787 and the bank balance was \$ 3,493,050. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions' agents in the district's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – Defined Benefit Pension Plan

Plan Description – USD No. 232 participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414 (h) of the Internal Revenue Code. The State of Kansas is

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. The State of Kansas contribution to KPERs for all school municipalities for the year ending June 30, 2011 received as of June 30 was \$188,684,352, Remaining balance due from the state of \$64,969,692 was received by July 12, 2011.

NOTE 4 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the county carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 5 – Compliance with Kansas Statutes

We noted no violations of Kansas statutes for the period under audit.

NOTE 6 – Compensated Absences

The District's policy regarding sick pay is to grant certified and full – time classified personnel sick leave at the rate of one day per month up to maximum accumulation of the 10 days per contract year. The maximum number of sick days accumulated overall cannot exceed 120. Certified staff who use five or fewer days of their annual 10 sick days accumulation have the option of carrying one – half of their unused days over the next year, and being paid for the other half. The reimbursement is computed at .3% at the base salary per day, and is paid prior to June 30.

After ten years of service to the District, classified employees who are age 55 or older, and teachers who are eligible for full KPERs retirement, are eligible to receive the current substitute rate per day for any unused accumulated sick leave at retirement.

Vacation leave is earned only by the District's full – time employees. Any unused vacation time at June 30 may be accumulated only with the superintendent's permission.

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Contingency

The District receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such disallowances, if any, will not be significant to the District's financial statements.

NOTE 8 – Interfund Transactions

General Fund	Special Education Fund	K.S.A. 72-6428	2,112,537
General Fund	At-Risk Fund (K-12)	K.S.A. 72-6428	872,264
General Fund	Textbook Rental	K.S.A. 72-6428	155,000
General Fund	Contingency Reserve	K.S.A. 72-6428	150,000
General Fund	Parent Education Fund	K.S.A. 72-6428	10,698
General Fund	Professional Development	K.S.A. 72-6428	55,000
General Fund	Capital Outlay Fund	K.S.A. 72-6428	400,000
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6425	330,118
Supplemental General Fund	Capital Outlay Fund	K.S.A. 72-6425	87,290

NOTE 9 – Subsequent Events

Subsequent events for management's review have been evaluated through November 21, 2011. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 10 – Cash Basis Exception

The State of Kansas statutes exempt all funds from a cash basis violation if the violation was as result of delayed payment by the state.

NOTE 11 – Compliance with K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d)

K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes

Note 11 -

USD #464 TONGANOXIE, KANSAS
GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 1,576,558	\$ 1,570,439	\$ 6,119
Delinquent tax	53,028	32,726	20,302
Motor vehicle tax			0
RV tax			0
Federal grants	512,660	186,354	326,306
State aid/grants	8,196,724	9,265,948	(1,069,224)
Charges for services			0
Interest income			0
Miscellaneous revenues	78,935		78,935
Operating transfers			0
	<u>10,417,905</u>	<u>11,055,467</u>	<u>(637,562)</u>
EXPENDITURES			
Instruction	5,810,445	6,245,000	434,555
Student support services	167,552	175,250	7,698
Instruction support staff	126,831	138,150	11,319
General administration	72,437	452,500	380,063
School administration		481,492	481,492
Operations and maintenance			0
Student transportation services	479,314	479,050	(264)
Central support services			0
Other support services		159,025	159,025
Food service operations			0
Student activities	69,199		(69,199)
Facility acquisition and construction services			0
Debt service			0
Operating transfers	3,755,498	2,925,000	(830,498)
Adjustment to comply with legal max		(653,126)	(653,126)
Adjustment for qualifying budget credits		78,935	78,935
	<u>10,481,276</u>	<u>\$ 10,481,276</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	(63,371)		
Unencumbered Cash, Beginning	63,695		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	 <u>\$ 324</u>		

Note 11 -

USD #464 TONGANOXIE, KANSAS
SUPPLEMENTAL GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 1,499,663	\$ 1,648,682	\$ (149,019)
Delinquent tax	50,378	30,918	19,460
Motor vehicle tax	242,273	245,257	(2,984)
RV tax	4,220	4,595	(375)
Federal grants			0
State aid/grants	1,643,204	1,655,080	(11,876)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>3,439,738</u>	<u>3,584,532</u>	<u>(144,794)</u>
EXPENDITURES			
Instruction	245,483	472,000	226,517
Student support services	11,815	15,000	3,185
Instruction support staff	373,224	352,150	(21,074)
General administration	218,685	225,250	6,565
School administration	641,187	255,250	(385,937)
Operations and maintenance	1,373,700	1,557,500	183,800
Student transportation services			0
Central support services			0
Other support services	110,705	145,550	34,845
Food service operations			0
Student activities	94,049		(94,049)
Facility acquisition and construction services			0
Debt service			0
Operating transfers	417,407	477,300	59,893
Adjustment to comply with legal max		(13,745)	(13,745)
Adjustment for qualifying budget credits			0
	<u>3,486,255</u>	<u>\$ 3,486,255</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	(46,517)		
Unencumbered Cash, Beginning	79,763		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 33,246</u>		

USD #464 TONGANOXIE, KANSAS
Statement of Changes in Long-Term Debt
For the Year Ended June 30, 2011

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
2005-A Issue	3.00% - 5.00%	3/15/05	\$ 15,725,000	9/1/30	\$ 14,730,000	\$	\$ 550,000	\$ (550,000)	\$ 14,180,000	\$ 611,060
2007-A Issue	3.90% - 4.10%	5/1/07	9,905,000	9/1/28	9,820,000		40,000	(40,000)	9,780,000	399,105
2008-A Issue	5.00%	6/30/08	550,000	9/1/31	530,000		0	0	530,000	26,500
Capital Leases payable										
Facility Conservation Program	4.98%	3/18/09	2,147,528	1/15/25	2,147,528		39,320	(39,320)	2,108,208	108,818
Computer Lease	3.50% - 4.11%	10/3/08	320,593	5/4/13	245,059		78,532	(78,532)	166,527	9,732
Bus Lease	4.42% - 4.51%	8/8/06	311,510	8/8/13	182,425		62,961	(62,961)	119,464	8,118
Equipment Lease	3.97%	5/14/10	147,390	1/20/14	132,651		32,484	(32,484)	100,167	3,641
Technology upgrades	3.67%	4/18/11	168,915	4/18/15	0	168,915	0	168,915	168,915	-
Total Long Term Debt					<u>\$ 27,787,663</u>	<u>\$ 168,915</u>	<u>\$ 803,297</u>	<u>\$ (634,382)</u>	<u>\$ 27,153,281</u>	<u>\$ 1,166,974</u>
		2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	2032	Total
Principal										
General Obligation Bonds	\$ 735,000	\$ 830,000	\$ 865,000	\$ 890,000	\$ 920,000	\$ 5,200,000	\$ 6,495,000	\$ 8,025,000	\$ 530,000	\$ 24,490,000
Special Assessment Bonds										0
Certificates of Participation	326,602	325,998	240,737	124,312	130,579	758,546	756,507			0
Capital Leases										0
Revenue Bonds										2,663,281
No-Fund Warrants										0
Temporary Notes										0
Total Principal	<u>1,061,602</u>	<u>1,155,998</u>	<u>1,105,737</u>	<u>1,014,312</u>	<u>1,050,579</u>	<u>5,958,546</u>	<u>7,251,507</u>	<u>8,025,000</u>	<u>530,000</u>	<u>27,153,281</u>
Interest										
General Obligation Bonds	1,015,715	989,605	960,478	928,880	895,520	3,868,111	2,544,064	1,039,898	13,250	12,255,521
Special Assessment Bonds										0
Certificates of Participation	128,766	114,507	99,637	88,281	80,347	296,082	87,196			0
Capital Leases										894,816
Revenue Bonds										0
No-Fund Warrants										0
Temporary Notes										0
Total Interest	<u>1,144,481</u>	<u>1,104,112</u>	<u>1,060,115</u>	<u>1,017,161</u>	<u>975,867</u>	<u>4,164,193</u>	<u>2,631,260</u>	<u>1,039,898</u>	<u>13,250</u>	<u>13,150,337</u>
Total Principal and Interest	<u>\$ 2,206,083</u>	<u>\$ 2,260,110</u>	<u>\$ 2,165,852</u>	<u>\$ 2,031,473</u>	<u>\$ 2,026,446</u>	<u>\$ 10,122,739</u>	<u>\$ 9,882,767</u>	<u>\$ 9,064,898</u>	<u>\$ 543,250</u>	<u>\$ 40,303,618</u>

Long CPA, PA

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Shareholder

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Board of Education
Unified School District No. 464
Tonganoxie, Kansas 66086

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL COMPLIANCE REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Unified School District No. 464, Tonganoxie, Kansas as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. In our report, our opinion was qualified due to the use of another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unified School District No. 464's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unified School District No. 464's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

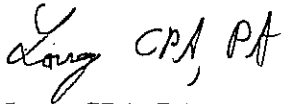
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education
Unified School District No. 464
Tonganoxie, Kansas 66086

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 464's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Long CPA, PA".

Long CPA, PA
A Professional Association
Certified Public Accountant

November 21, 2011

Long CPA, PA

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Board of Education
Unified School District No. 464
Tonganoxie, Kansas 66086

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Unified School District No. 464 Tonganoxie, Kansas with the types of compliance requirements described in the U.S. Office Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. Unified School District No. 464's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Unified School District No. 464's management. Our responsibility is to express an opinion on Unified School District No. 464's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unified School District No. 464's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Unified School District No. 464's compliance with those requirements.

In our opinion, Unified School District No. 464 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

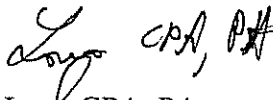
Board of Education
Unified School District No. 464
Tonganoxie, Kansas 66086

Internal Control Over Compliance

The management of Unified School District No. 464 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Unified School District No. 464's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Long CPA, PA
A Professional Association
Certified Public Accountant

November 21, 2011

UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor Number	Federal Expenditures
<hr/> U.S. Department of Education <hr/>			
Carol M. White Physical Education	84.215F	*	\$ 181,906
Passed through State Department of Education:			
Title I	84.010	*	158,096
Tech Literacy	84.318	*	535
Title II - Teacher Quality	84.367	*	49,113
Stabilization - ARRA	84.394	*	186,354
Education Jobs Fund	84.410	*	326,306
<hr/> U.S. Department of Agriculture <hr/>			
Passed through State Department of Education:			
School Breakfast Program	10.553	*	52,399
National School Lunch Program	10.555	*	323,135
Total Federal Assistance			<u>\$ 1,277,844</u>

* Not available

The accompanying notes to financial statements are an integral part of this statement.

TONGANOIXE UNIFIED SCHOOL DISTRICT # 464
Tonganoxie, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2011

A. Summary of Audit Results

1. The auditors' report expresses a qualified opinion on the general purpose financial statements of Tonganoxie USD # 464.
2. No reportable conditions relating to the audit of the general purpose financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on a Audit of Financial Statements Performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the general purpose financial statements of Tonganoxie USD # 464 were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Tonganoxie USD # 464 expresses an unqualified opinion on all major federal programs.
5. Audit findings relative to the major federal award programs for Tonganoxie USD # 464 are reported in this schedule.
6. The programs tested as major programs included:
Department of Education
Education Jobs Fund CFDA No. 84.410
National School Lunch Program CFDA No. 10.555
7. Tonganoxie USD # 464 was determined to be a low-risk auditee.
8. The threshold for distinguishing types A and B programs was \$300,000.

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Awards Programs Audit

Department of Education
Education Jobs Fund CFDA No. 84.410
National School Lunch Program CFDA No. 10.555

No findings of noncompliance or questioned costs were noted.

The accompanying notes to financial statements are an integral part of this statement

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 464
Tonganoxie, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Unified School District No. 464 Tonganoxie, Kansas and is presented on the statutory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Statutory Basis of Accounting – The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

Unified School District No. 464 has obtained a waiver from generally accepted accounting principles which allows the district to revert to statutory basis of accounting.

Departure from Generally Accepted Accounting Principles – The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and mature principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

TONGANOXIE UNIFIED SCHOOL DISTRICT NO. 232
Tonganoxie, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2011

NOTE 1 – Basis of Accounting (continued)

Departure from Generally Accepted Account Principles (ctd.) - General fixed assets that account for the land, buildings, and equipment owned by the district are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

NOTE 2 – Pass-Through Awards

Unified School District No. 464 receives certain federal awards in the form of pass-through awards from the State of Kansas. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

NOTE 3 – Major Programs

In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. The Education Jobs Fund and the National School Lunch Programs have been determined by the independent auditor to be a major programs.

NOTE 4 – Contingencies

The District receives funds under various federal grant programs and such awards are to be expended in accordance with provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Managements believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.